

# Utah's Economy - 2003

The year 2003 marked the beginning of a rebound from the recession that not only plagued the state for the past three years, but also the nation. The year is characterized with two separate performances — the first half of the year saw slightly falling employment while the second half generated slightly rising employment. The overall result is that for the year as a whole, the state added about 400 new jobs, a growth rate of virtually zero.

Over the past three years we have seen a recession begin. Employment gains evaporated throughout 2001, eventually leading to a job-loss environment in 2002, and finally entering the zero job growth environment of 2003. This three-year lethargy, let alone a one-year decline, is an extremely unique occurrence in Utah. There were multiple years of slow employment growth in the early 1980's, but at least these were years of some growth, not contraction. One has to go all the way back to 1964 to find the last time Utah experienced a year-over employment decline such as was seen in 2002. To follow a year of job declines with no rebound paints a picture of a very unique and unusual phenomenon occurring within the normal flow of business in Utah.

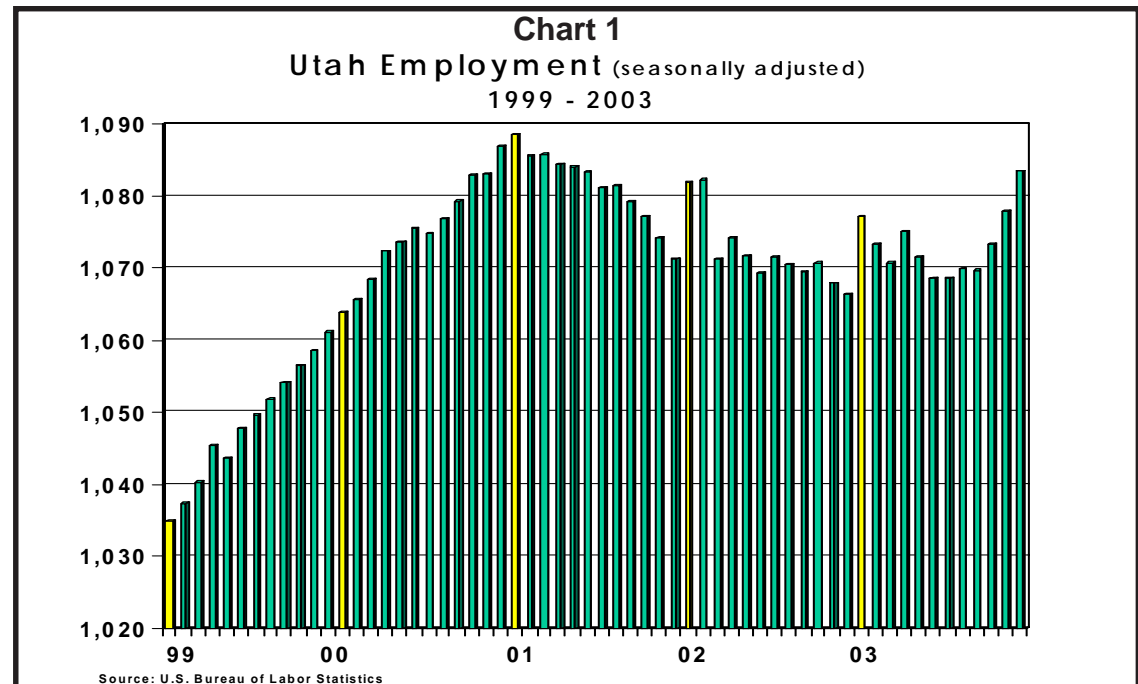
This powerful downturn is the result of the technological excesses and overinvestment

of the late 1990's. The necessary Y2K-related computer expenditures only compounded the situation. The resulting aftermath is a sustained period of business correction and production readjustment. Officially the nation's recession ended in late 2001, but recessions are based upon the performance of the nation's Gross Domestic Product, not on employment. Thus, keeping the bleak employment performance of the past three years in mind, we have seen that it is possible to grow the economy's monetary value with fewer workers. Increasing output from the

existing workforce, or productivity gains, is the overriding reason.

But squeezing more productivity out of workers does have its limits, and at some point in time, if the economy is to continue to grow, more workers must be added to the mix. That process began in Utah in the latter half of 2003. This job-gaining development has yet to emerge at the national level.

At the beginning of 2003, the national and Utah economies were actually showing indications



that growth might start to materialize. Then came the Iraq War. It inserted additional uncertainty into the market, creating downward pressures within an already weak economic climate, thus zapping whatever muscle the economy may have been ready to flex.

## Close to Home

Although Utah's economy slumped and overall employment didn't grow for over two years, the state's inherent demographic pressures — high birth rate and modest in-migration — did not subside. Thus, while the size of the population grew, the economic base to support it did not. This creates increasing amounts of economic pressures, sort of like tightening a spring. The restraining forces that were holding back the economic reaction began to dissolve in the latter half of 2003. This allowed the Utah economy to return to an employment growth mode, however subdued, while the U.S. economy has yet to make such a move. Utah's reversal out of a recessionary mode occurred at least six months ahead of any national rebound.

Utah began the year with a year-over January employment decline of 0.5 percent. By December, at the end of the year, employment was growing by an encouraging 1.0 percent. The balance or zero-percent line was reached in mid-summer.

Although the state's overall performance for the year basically showed no growth, individual counties' experiences can show something different. Washington County is a particularly

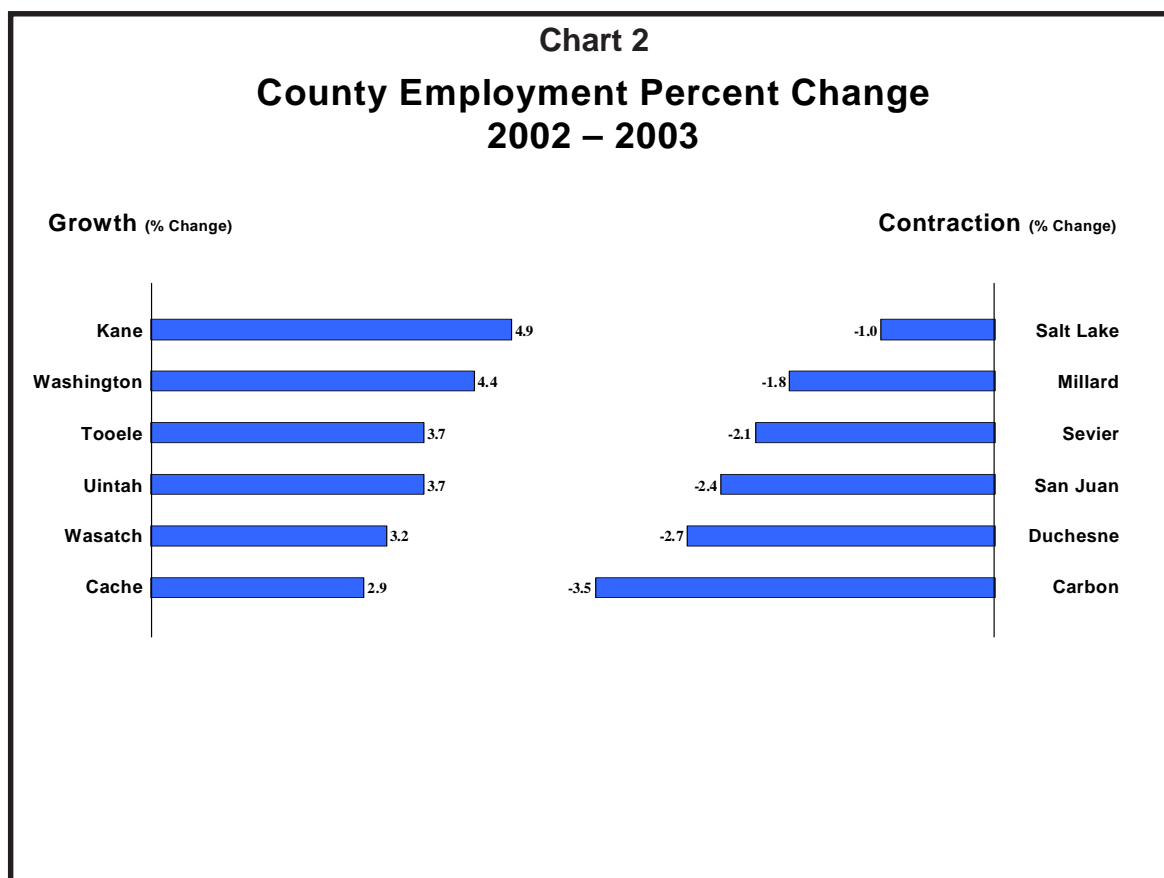
strong growth area, having not really felt any of the effects of the national downturn. Uintah County also did well as oil and gas exploration flourished.

The chief underlying factor for the state's overall lethargic performance in 2003 is a weak Salt Lake County economy. That county alone accounts for half of all the jobs in Utah, and it experienced job losses in 2003. In contrast, the states other large metropolitan counties — Utah, Davis, and Weber — all enjoyed

some level of employment growth during 2003.

## Employment by Industry

**Mining** In some parts of the state, this industry is quite important, but for the state overall, its employment numbers are quite low. On the whole, this industry employs around 6,700 workers, making up less than 1 percent of all employment. The number of mining jobs has fallen throughout most of the past decade,



and 2003 is no exception, with about 200 fewer jobs.

**Construction** The construction industry recorded a fourth straight year of declining employment — but just barely. Overall construction employment fell by just over 200 positions. This is the smallest employment decline within this four-year slide, revealing that the process of decline is coming to an end. It is only a matter of time before construction employment gains emerge.

**Manufacturing** 2003 was another bad year for the manufacturing industry. With job losses around 1,600 positions, this marks a sixth straight year of decline. The pace of decline slowed dramatically as the year progressed, suggesting that this industry's long slide may either cease or reverse. Employment declines were 2.5 percent in January, but by December had moderated to only 0.2 percent. The employment declines were centered largely upon durable goods, such as computer and electronic equipment manufacturing, fabricated metal products, primary metal manufacturing, and machinery manufacturing.

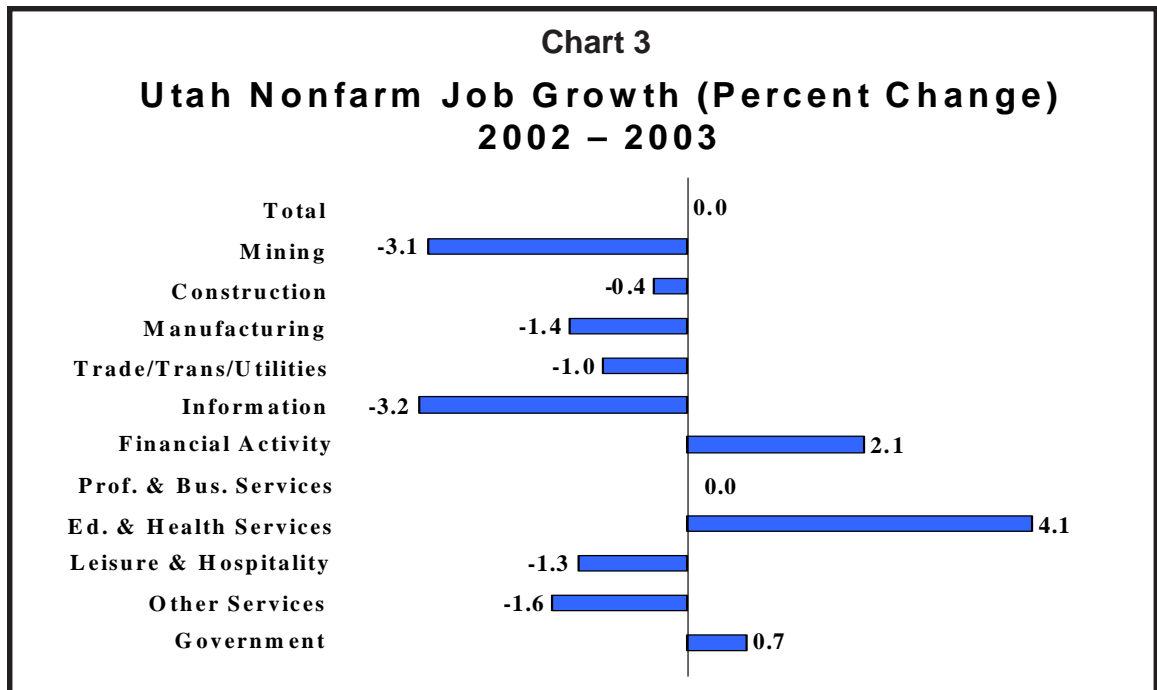
**Trade, Transportation, Utilities** This is the largest industrial sector in Utah, job-wise, employing around 214,000 workers. It also sustained the largest number of employment losses in 2003, shedding roughly 2,000 positions.

Trade is the largest sub-component within this sector. It accounts for around 170,000 jobs. About 1,000 fewer jobs were noted in this sector. However, the end-of-the-year Christmas season, when a lot of seasonal retail trade hiring occurs, showed more life than it has in several years, signaling that this industry may also be about ready to shed its three-year lethargy.

The transportation side of this equation employs around 40,000 workers. But it sustained a drop of nearly 900 jobs in 2003. While the trucking industry actually added some jobs this year, employment in the air travel industry contracted sharply, accounting for most of the lost jobs in the transportation industry.

**Information** It was another soft year for the information sector with the loss of around 1,000 positions. This is not a particularly large employment sector, with around 30,000 jobs. It includes publishing, such as newspapers, books, or software. Additionally, it includes media outlets like TV, radio, and internet broadcasting. The various forms of telecommunications are also found in this sector. Job losses in this sector are spread rather evenly between the various industrial categories that comprise it.

**Financial Activity** The financial sector is an industry that has weathered the recession nicely. Employing around 64,700 workers, it has added around 1,300 new jobs in 2003.



Banks, credit unions, and mortgage companies are where the bulk of the new jobs have developed.

**Professional and Business Services** Those businesses whose major input is human capital are grouped together within this sector. This is generally a high-wage industry group. Activities such as software development, biotechnology, research and development, engineering, and accounting and legal services are found here. There are also significant employment areas in this sector, such as call centers and employment services, which are not known as high-wage areas.

After a decline last year of around 4,700 jobs, a net loss of just two jobs this year is a significant improvement. Overall, it looks like nothing happened within this industry, but under the surface there were some changing dynamics. In the area of high-end, professional jobs, there was a gain of around 1,000 new positions. Countering this gain was an equal 1,000-job loss in the area of management of companies, and employment services. The quantity was equal, but the quality was not. The gains came in the high-wage area, and the losses largely occurred in lower-wage areas.

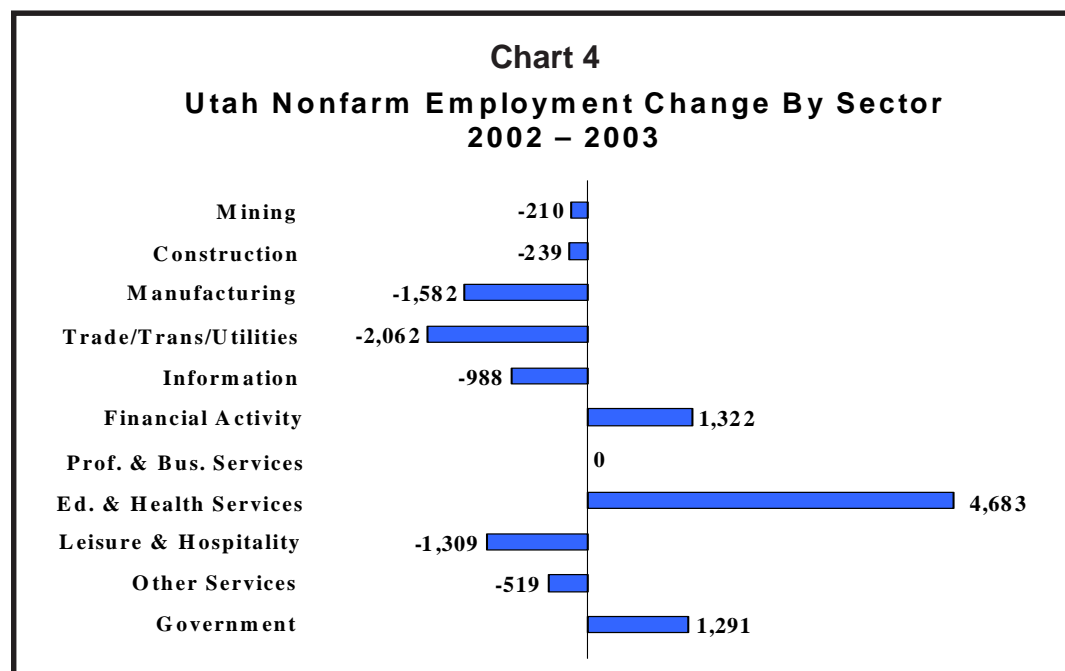
**Education and Health Services** This is the state's best performing industry. The addition of nearly 4,700 new jobs makes it stand out above all others. Only this sector, financial activities, and government added jobs in

Utah, with this sector significantly out-performing the other two. The healthcare area is where most of the job gains occurred, with the addition of around 4,000 jobs. Nearly all aspects within the health care industry expanded their employment base.

**Leisure and Hospitality** This industry recorded a net job loss of 1,300 positions. It largely has two components — arts, entertainment, and recreation; and lodging and food services. The biggest component is lodging and food services, employing about 84 percent of the roughly 100,000 workers recorded in leisure and hospitality. It however, for the year, recorded no net job growth over 2002. Therefore, the loss is in the arts, entertainment, and recreation field. And even then it comes with

a caveat — the numeric loss is really an anomaly in that the numbers are being compared back against the Olympic employment spike of early 2002. One-time spikes like that can paint an unclear picture of the following year's performance. Without the Olympic spike, this year's activities wouldn't look nearly as bad.

**Other Services** This is kind of a catch-all sector on the service-producing side of the ledger. It has a potpourri of businesses within its classification, such as repair services, personal services, and membership organizations. It's not a particularly large sector, employing around 32,400 workers. It did experi-



ence a net job decline of around 500 jobs for the year.

**Government** Government is usually a pretty steady employment area, even in the face of recessions and economic downturns. Overall government employment increased by nearly 1,300 positions, marking it as one of only three industrial sectors in the state that grew.

Government consists of three components — federal, state, and local. Almost all of the government growth occurred at the local level, in particular the public education system. This is a natural consequence of Utah's young and expanding population base. Employment at both the federal and state levels was largely unchanged for the year.

## **Wage Growth Remains Slow**

Another year with a slow Utah economy contributed to continued slow wage growth. In 2003, Utah's average annual nonagricultural pay was \$30,617. This is a lethargic 1.7 - percent increase over last year. That's hardly better than 2002's 1.6 percent gain. These are the smallest average wage increases since 1993, when average annual pay increased by only 1.2 percent. That year was another influenced by recessionary pressures. Inflation for 2003, as measured by the U.S. Consumer Price Index (CPI-U), was 2.3 percent. Since wages grew at a slower rate than inflation in 2003, consumers experienced a loss in purchasing power.

## **Conclusion**

The effects of the 2001 recession are still being felt in 2003. Overall, the Utah economy showed no employment growth in 2003. Essentially none of the jobs lost during 2002 were returned to the ledger in 2003. All is not gloom for the year, though. Although the first half was weak, a noticeable employment rebound sprang to life in the latter half of the year. While it was not enough to counter the job losses of the year's first half, the momentum that has emerged in the year's latter half bodes well for a much better performance within the Utah economy in 2004.

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